



1000 FRIENDS of Connecticut  
P.O. Box 1988 ■ Hartford, CT 06144-1988 ■

*PRESERVING, CONSERVING, AND GROWING SMART*

TESTIMONY IN SUPPORT OF  
HB5545 AAC A COMPREHENSIVE STUDY OF THE STATE'S TAX STRUCTURE  
by Susan Merrow, Chair  
1000 Friends of Connecticut

On behalf of the Property Tax Working Group of 1000 Friends of Connecticut, I urge your support for HB5545 AAC A Comprehensive Study of the State's Tax Structure. There is no more crucial forward step that can be taken to better Connecticut's future than fundamental tax reform, and the provisions of this bill will provide a critical stepping stone on that path. As Connecticut emerges from the fiscal and economic turmoil of recent years, it is comforting to assume that we will soon pick up where we left off. This assumption is an illusion. Future prosperity will require fixing our badly outmoded state tax structure. Its most serious flaw is its long standing over-reliance on the local property tax.

Property tax reform is a key to fair education funding and the general fiscal health of municipalities, but our present abuse of the property tax harms us in countless other ways as well. It unduly burdens small businesses and working families, thus weakening our economy. It drives sprawl, which makes the efficient delivery of public services harder and the transition to wider use of mass transit nearly impossible. Driving jobs from cities and small towns alike, it exacerbates problems as diverse as energy inefficiency and urban and rural poverty.

Connecticut relies on the property tax for a vastly disproportionate share of total state and local revenue. In 2010 more than 40% of all "own source" state and local revenue came from the property tax. The tax comprises the lion's share (35.5% in 2010) of all taxes paid by businesses. At the same time, cities and towns receive less state assistance as a percentage of total education costs than do cities and towns of all but two or three other states. (Our precise ranking varies from year to year.) A tax structure in such imbalance violates every precept of sound tax policy and denies thousands of children their rights to quality education.

We can tinker around the edges of reform, making small adjustments in the complicated formulas of state aid, but without a more fundamental rebalancing of the elements of our tax structure, we will continue down a path of widely disparate educational opportunity, hollowed out cities, sprawling suburbs, and fleeing businesses. To create a robust economy, a solvent, stable and effective government, healthy communities and a healthful environment, we must end our overreliance on the property tax.

The study mandated in HB5545 is a critical first step in the process of reform and the tax relief it would bring.

This effort could create the over-arching framework needed as a basis for analyzing and advocating new policies. Such a framework must take into account the differing needs of municipalities as well as their differing capacities to raise revenue to meet those needs.

Key elements of such a study undertaking, which must be accounted for in this bill:

**Better Data:** In recent years Connecticut has suffered a loss of civic brainpower in the form of reduced numbers of policy analysts available to state and local governments. Moreover, such data as exists is fragmentary and often far more difficult than it should be to access or even to identify. Our state has sorely neglected its capacity to gather, evaluate, and disseminate data. That capacity must be rebuilt. . We need help marshaling the evidence that supports the case for change.

**Creation of an Over-arching Framework** to serve as a basis for analyzing and advocating new policies. This framework must involve "needs/capacity gap" analysis (taking into account the differing needs of municipalities as well as their differing capacities to raise revenue to meet those needs). This framework



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will require expert guidance as to policy objectives, precedents and other comparables to examine, research methodologies and relevant data.

**Ability to Use Best Practices from other states.** Our neighboring state of Massachusetts has made admirable progress toward a more equitable tax structure to underpin its economic and social growth. We need to be able to take advantage of their, and other's, examples.

All this will require a concentrated effort, which can result from HB5545. We recommend the following improvements to this bill for it to reach its potential:

- The requirement that the study be guided by a set of explicit principles for taxation, such as those of the National Conference of State Legislatures goals, which include sufficiency, balance, accountability, fair and efficient administration and complementarity
- The capability (indeed, the encouragement) to higher outside experts
- Sufficient resources to do the job. It is likely that more than \$500,000 will be needed to do this right.

Now is the time to convene our best thinkers and begin to chart the course to a rational tax system that will take Connecticut into the more prosperous future it deserves.



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